

Guilty! Sam Bankman-Fried & the FTX Collapse – With Michael Lewis

Michael Lewis

He seemed utterly transparent, radically transparent, deeply interested, it seemed, in turning crypto into a legit, regulated, honest enterprise so that the regulators wanted there to be a Sam, Washington wanted there to be a Sam. There was this Sam Bankman-Fried shaped hole in the world that I don't think he knew existed until he found himself in it.

Simon Brewer

Welcome to the Money Maze Podcast. I'm Simon Brewer. Will Campion and I have created this show to explore and unravel some of the mysteries surrounding the investment business. You can keep up to date by visiting moneymazepodcast.com, and please sign up to our newsletter to ensure you won't miss a release. If you enjoy this show, please subscribe and we'd love you to tell a friend or colleague about it. Thank you for listening. Welcome to this pre-Christmas edition of the Money Maze Podcast. It's 5 o'clock here in London, it's 9 AM in California. We're closer to having a glass of wine than our guest, but we're here with one of the world's great storytellers. If you don't know about his most recent book, 'Going Infinite' for those who are watching us on YouTube, you'll probably want to buy it at the end of this conversation. But you'll know or have watched his films and his books, The Big Short, Moneyball, Flash Boys, The Blind Side, Liar's Poker, and many more. But it all started back in 1985. In an interview I did with Michael Lewis 18 months ago, I was faced with the realization that when I thought that he and I, both then at the LSE, soon to graduate, competing for a job at Salomon Brothers, which I lost because I thought I wasn't good enough, you Michael revealed you'd in fact charmed the wife of the managing director at dinner, short circuited the process and got hired. True or false?

Michael Lewis

True. It's even funnier than that. The dinner was set up very oddly. A cousin of mine in my mother's generation had married a German baron and they lived in London. She was very socially plugged in and she got me invited to this dinner. It was in St. James's Palace. The Queen Mother was there and 700 businesspeople. I was seated between the wives of Sheldon Prentice and Charlie McVeigh who ran Salomon Brothers in London. Charlie McVeigh's wife at the end of it said, you must come work for my husband. That's how it all started. Flash forward, 10 years, 7 years after Liar's Poker has come out, my German baroness cousin thought it would be amusing to restage the same dinner party with exactly the same sitting at the tables. I would sit between the wives of Charlie McVeigh and Sheldon Prentice and they wouldn't speak to me. But yes, the process was short-circuited. We're joined here by Ravi Joseph who was a classmate of mine at Salomon Brothers, who probably went through a more conventional hiring process. The hiring process then was so bizarre, bizarre beyond belief. I went into the office and I talked to a few people. There were a couple of interviews, but there was never a we'll get back to you thing. I was just left in limbo. I asked a friend who had gotten a job there why I hadn't gotten a call one

way or the other, and he said, you've actually got to call them and just take the job. There was a guy, his name was Leo Corbett, who was in charge of hiring. And I said, 'Hi, it's Michael Lewis. I just want to let you know, I take that job.' And he said, 'Okay.' I never completely understood what happened behind the scenes, but there's no question that that dinner party got me my job because there was no other reason for me to have the job.

Simon Brewer

Well, you've pre-empted me because sitting on my right is a dear friend of mine, Ravi Joseph, who was at Salomon's and then a long time at Morgan Stanley, where I met him, and Goldman's before starting his own firm Mount Street Capital. I know you'd lost touch. We were talking about your book and exchanging notes and I thought it'd be great to have you both along. I want to start with Liar's Poker because it is where it starts. I was giving a talk at Durham University last week and I said to the students, don't worry about all these serious academic texts, start with Liar's Poker because it's the foundation of the finance industry. In the book, you talk about that it was Ravi who was the main player in this. Ravi, I want you to start by just telling us what happened the day you arrived and so was one of the senior traders going on holiday to Puerto Rico.

Ravi Joseph

It wasn't the day I arrived. I was a new trader on the infamous mortgage trading desk. One of the senior traders, a fellow named John D'Antona, who was quite a fearsome guy, a very big, grumpy guy was going on holiday to Puerto Rico. The other trading management, I can't remember which ones, had the brilliant idea of getting John's suitcase out of the closet, taking all the clothes out and filling it with wet paper towels so that John would take that suitcase to Puerto Rico. I and other rookies on the desk were given that job. We were all scared out of our minds. We did it anyway, suitcase went off to Puerto Rico. John ended up in a hotel in Puerto Rico with his wife on holiday and then found out that he had a suitcase full of paper towels. I still remember the most extraordinary scene was the phone ringing on the mortgage trading desk on John's number. Everyone knew it was John calling from Puerto Rico. No one would answer the phone. And then because we had those antiquated phone systems, it would roll over to other phones so no one answered any phone because no one wanted to pick up John.

Michael Lewis

And that story ended up in Liar's Poker.

Ravi Joseph

It sure did.

Michael Lewis

When you were looking for those stories, you were spoilt for choice. This stuff went on constantly. The tone of the Big Wall Street firm, particularly that Big Wall Street firm, but still, the tone of these firms changed so much since then. I think, Ravi, correct me if I'm wrong. I was in exactly the right place and the right time to write such a book, to write a book that people would think was funny about Wall Street,

that put me there 10 years later or put me in any other firm with the possible exception of Drexel, there would have been none of that flavour.

Ravi Joseph

I think it changed a lot. I think regulation, professionalisation, everything changed. The cowboy culture and the wackiness, all of that went away.

Michael Lewis

This is why I think the book still sells 70,000 copies a year or whatever it is, it's still out there, and why, Simon, you're telling people to read it, because it's really hard to generate a true story that's both true and fun on Wall Street right now. The material is just not there.

Simon Brewer

At the end of our interview 18 months ago, I said to you, is there a shocking or scandalous topic you haven't written about but you're inclined to? Now, the good thing, Michael, is that the digital world, you can run but you can't hide. As you think ahead, is there a shocking or scandalous topic you haven't written on yet but are inclined to?

Michael Lewis

Cryptocurrency and the world it is reeking. I was put off by it in the beginning because it just didn't work as money. It was not persuasive as money. The story in the beginning was this is the new money. Cryptocurrency people have smartly pivoted and figured that's not the story to tell anymore. If you want to sell this stuff, you have to have different stories. So now it's gold. It's not money, it's gold. It's a store of value. I'm not saying it's not. This is an act of faith. The question is, how many people will agree to believe this and how long will they believe it for? And maybe they'll believe it forever, maybe this is the new gold. It's now reached a scope and a size where it's having all these distortive effects on the world.

Simon Brewer

Brilliantly prophetic. You went from flirting with the idea to full on dating and out comes this creation. Now, 'Going Infinite', Sam Bankman-Fried. If I had to subtitle the book, I would have said it was 'from obscurity, to celebrity, to infamy, and to jail... we think.' I went from being really intrigued and was riveted because it seemed to have so many of the qualities of John Grisham with a finance perspective. We'll come back later on to some of the criticisms that have been thrown up as we go along. I'm not sure if you intended it, but as I read it, I see that it was broken into three acts and it reminded me of a Shakespearean plot, and I'm not sure if you intended it to be tragedy, or comedy, or both.

Michael Lewis

I was aware when I sat down to write. I started running this end of January, finished August the 15th. When I start to write, I basically know the story. Few things will come out of the trial, but basically know the story. Because of the whole thing, I was there witnessing much of this, I had been embedded in the place through 2000, through all of last year, the tone was less dark, ominous financial scandal than it was Ferris Bueller's Day Off. It felt like a comedy. The problem is it's a comedy with a tragic ending. It's a

comedy with an unhappy ending. That's a weird form. What is the form? The form is a little bit like Succession. This form, it does exist. People don't acknowledge it. There's a famous line. I think Fitzgerald said that what Americans want is a tragedy with a happy ending. This was the opposite. But you can't fight reality. This is how it was. It was very funny until it wasn't. I thought, I have a form problem but I'm just going to live with this form problem. It is going to be funny. People may be angry they're laughing. By the way, people were angry. Ravi won't remember this. There were people who were angry they were laughing at Liar's Poker.

Ravi Joseph

Oh yeah, I do remember that. When your book came out, I was still at Salomon Brothers and I remember the earthquake that had set off when that book came out. There were a lot of people who were upset about it. All the people who were at my level thought it was hilarious. But there were a lot of people in management who are very angry.

Michael Lewis

What I mean is people who are morally disapproving of Wall Street and who thought how come this guy thinks this is funny as opposed to how come this guy isn't morally outraged, how come he's not representing on the page the anger I feel about what's happened on Wall Street. So there was a version of this here, and I knew it was coming, and I knew it was going to be even worse. Tell you what, the other thing, it's funny you start with Liar's Poker. When I was starting to think about what book this reminds me of, when I started to work on it, actually write it, it was Liar's Poker and it was because here we come, it's outside the formal financial system, it's been reinvented by crypto. But yet again, here we have what seems to be a serious financial business in which the behaviour is so out of line with what people would think of as serious financial behaviour. The outrages were different, the surprises, the weirdnesses were different, but it was just all of a sudden, lots of unconventional behaviour is tolerated in a business that's supposed to be a \$20 billion financial exchange. So it did remind me a bit of Liar's Poker. And you're right, I had a form problem and I just said, screw it, I'm going to live with the form problem. I'm hoping people will be laughing all the way through it and then wonder why they were laughing.

Simon Brewer

I want to back up, because as we read, we're going to refer to him as SBF, Sam Bankman-Fried. Deciphering the man, a couple of your quotations. 'World leaders vied for his time. He was the Gatsby of the crypto world, a mind-bending trajectory of a character who never liked the rules and was allowed to live by his own.' And then you say everything about him was peculiar, so just paint the protagonist.

Michael Lewis

Let's start with childhood because that's where the peculiarity reveals itself first. I asked him many months into our relationship to give me a list of people who could tell me something about himself before the age of 18. Apart from his parents, he could come up with nobody, not even his brother. Now, I thought he was exaggerating, but I poked around. He grew up in Palo Alto on the Stanford campus. He's a child of two gregarious professors at the Stanford Law School. He goes to school every day with lots of other kids and yet nobody really- There was one person who sort of had a relationship with him his age,

and that person was a child of a dear friend of his parents, and their relationship was entirely playing board games together. He was socially isolated and he was socially unconnected. He couldn't connect to people. His parents, he talked to the friends of his parents, they all said the same thing. The parents were afraid of and for him. They were afraid that he wasn't going to fit into the world. He just didn't seem to connect to people and he thought about things so differently than other people and was pretty adamant about the way he thought about them that I think he made them uncomfortable. The way the mom framed this, this was in good times before things blew up when she's very delicately talking about his childhood because she's uncomfortable with his childhood still. She said that when he was eight, he started asking her about what she did. She was writing some abstruse legal paper, and he started prodding asking questions about it. She said she didn't take him seriously until he finally was so insistent she told him what it was about. And then he started asking questions, she said, that were better than the questions that she was asked by her peers. She said, at that point, she gave up on the idea she had a child, that he was just a little a grown up brain in a child's body. The childhood feels like this person who's waiting for childhood to end so he can have people to talk to. He himself becomes aware of his differences and starts to articulate them late middle school, and they are, I don't feel what other people feel and I certainly don't feel empathy. I find what other people think often preposterous. They believe in God and they believe in Santa Claus and they believe in all this stuff that's just crazy. Other humans are capable of mass delusion. I'm not that way. I am not given, not equipped with ordinary human feeling. He substitutes for mathematical calculation. When I was a kid and I'm making decisions, it's almost entirely by feel. I'm not sitting there calculating probabilities of the expected value of various things. I'm thinking, I want to go play with Jim, or I want to play football now, or I got to do my math because someone's going to be angry at me if I don't do my math. He is living almost a life that's not entirely devoid of emotion but in which emotion plays a very weird role and mathematical calculation plays a very powerful role. So we start with weirdness, just a general oddness. And he doesn't find any real social solace until he goes to math camp in the summers when he's late in high school and then when he gets to MIT and he finds a crowd. They didn't like him. I don't want a monologue here, but I will say this that what's interesting to me about his relationship to the world around and people around him is he manages to preserve in his isolation a romantic view of himself as special without having a whole lot of evidence for his specialness. He's smart. He's number one in his class in high school, that kind of thing smart, and obviously better at math than most of the kids, all that stuff. But when he goes to math camp, he's not better at math and the people at math camp. When he plays chess with people who are really good at chess, he's not better at chess than those people. He's a second-rate math nerd in some way until he's discovered by high frequency trading firms. Wall Street in its modern incarnation comes calling in at the MIT math and physics departments and puts him through these interviews that are these strange, very different from the interviews Ravi and I went through when we were trying to get jobs at Salomon Brothers. They're essentially semi chaotic gambling games where there's often no correct perfect answer, just better answers and worse answers.

Simon Brewer

Can I just stop you there for a second, Michael, because we were talking about this under Liar's Poker. I think the bid on Jane Street Capital is fascinating. I found it unbelievably scary because I wouldn't have

had my interview. My interviews at Salomon Brothers were short. I'd be kicked out of there. Whereas Ravi goes, well, this is quite interesting, didn't you?

Ravi Joseph

I did. I thought that the way those tests were described, those sounded to me like actually really good tests for a trader. You're trying to evaluate someone's ability to do very rapid mental math, to reach very quick decisions with imperfect information and under a great deal of pressure. That pretty much sums it up. That actually works very well as a test regimen. What I thought was curious, I remember what trading was like. Those tests would have been perfect for the trading world that I entered in the '80s in the era of Liar's Poker. I sort of anticipated that by the time we got the world of Jane Street, it was computers and algorithms. You didn't need humans to do that, you just switched the computer on. I was quite surprised it was testing for those skills.

Michael Lewis

It was testing for those skills because the relationship between the human and the computer is a bit more nuanced than you just flip the computer on. I think the computer, the algorithms are robot arms. You've got to still operate the arms. You've got to look for patterns in the marketplace to exploit or at least you have to have a theory, you have to test the theory and then you build it into an algorithm. So in the spotting of the theory, those skills are still valuable. But yes, it's funny. You're absolutely right. They're excellent tests for trading skills. It just took Wall Street a while to get to the point where we just got to test for those skills in a really rigorous way. But in the bargain, one of the things that was interesting to me about the Jane Street passage in his life is what they don't test for and what the old interviews did test for, which is any social abilities, sometimes very broadly defined. You have the ability to stand up to someone screaming at you. But the tests are entirely indifferent to social abilities so that someone without any social ability can glide right through the Jane Street tests if they can do these other things. I think this is the first key to Sam Bankman-Fried subsequent behaviour and his sense of self and identity is that for the first time in his life, he comes out thinking, I'm actually demonstrably special at something. I may not be the very best whoever took these tests, but I'm really, really good. So good that one of the high-frequency trading firms in the middle of his interview sessions just stops it and says, you've done better than anybody's done ever, there's no point in going further. He lives in isolation. He's able to tell a story about himself as being special without having a whole lot of evidence that he's special, and then all of a sudden, Wall Street tells him why he's special and he thinks of himself as a really gifted trader. He's not the only one. There are people around him that think of him as a gifted trader too. I think he may have thought of himself as a more gifted trader than maybe his bosses at Jane Street did. I think they thought he was very good, not the best when he actually gets on the job. So this is the beginning of the story of Sam Bankman-Fried in the world, as opposed to just in his head.

Simon Brewer

Let's just talk then about this magnetism. He goes to FTX. You describe him, that's a little later on, but he goes to some party in California. There's DiCaprio and Jeff Bezos and Katy Perry and Hillary Clinton.

Michael Lewis

Can I describe this party?

Simon Brewer

Yes, please do.

Michael Lewis

I was with him. This is Super Bowl of 2022. I have flown with him from the Bahamas to my massive irritation because I'd flown down to the Bahamas and set up 10 days of talking to everybody in the company. I was going down to do a deep dive into FTX and Alameda research and the Bahamas government. I wanted to learn all about the regulation. The day I got there, he said, I just changed my mind, I've got to go to the Super Bowl. I had to choose him or the company, so I chose him for that trip. We get to Los Angeles and he's got this effectively in his lap. It's like a pile of invitations on his phone. It's everything from the CEO of Goldman Sachs wants to hang with you tonight to you might have to have brunch with Shaquille O'Neal tomorrow at the Beverly Wilshire hotel. The list of things is incredible. He has this one thing though right when we arrive, this dinner invitation from someone whose name he cannot pronounce. He doesn't even know him that well. His name is either Michael Kives or Kivus. I don't know what this guy's name is. He says, they say that there might be some big shots there and we don't have anything else to do, I kind of want to go see what it is. His colleagues are disturbed with him for doing this because everybody is at that point living in fear that Sam Bankman-Fried is going to be kidnapped because he's just easy to grab and crypto was perfect ransom. Everybody thinks he has \$20 billion in crypto stashed somewhere. So they're living on edge about Sam's willingness to just move unguardedly through the world. The colleagues insist we're in one car, they are in another car. We go to this address, the colleagues come with us waiting outside in case it's the Russian mafia inside who are going to just steal him and take him off to some island and demand ransom. That's how ignorant they were what he was walking into. We walk into this house, through the house and into the backyard, the backyard is this park where this party is happening. In the backyard, there may be 80 people, and instantly, I spot Jeff Bezos, Leo DiCaprio, Chris Rock, Jerry Jones, the owner of the Dallas Cowboys, whatever the owner of the St. Louis Rams is, Katy Perry, Kate Hudson, Orlando Bloom. There were four Kardashians, I counted them. I've been to Oscar parties where everybody had an Oscar. Hillary Clinton, the most celebrity dense thing I've ever been to. Sam Bankman-Fried within about 45 minutes was the person people were clustered around wanting to listen to. He didn't know anybody. By the end of the evening, it was like everybody wanted to talk to him. He ended up singing karaoke with Katy Perry. Now, this is where it gets funny. It was all funny. But at the end of it, I meet Michael Kives, the host of the evening, who kindly lets me sit and have dinner. At the end of it, Michael Kives comes up to me and says you really ought to meet Hillary Clinton, because I'd never met her. She's on her way to get her car. I meet her on the front lawn of his house and she's very sweet, very pleasant to talk to. Very bright, obviously. We're chit chatting. The first thing she says is she says, 'What are you doing here? You're so B-list. How did you get in? I said, 'This is going to sound odd, I'm just following around behind this person I might want to write about, I'm trying to figure out.' She looks at me and she goes, 'The guy with the hair.' And I said, 'The guy with a hair. How did you know?' Yes, there are 80 people in there and 79 of them are boldface names. How did you know that was the guy. She goes, 'I talked to him and I thought he's exactly a character for you.' It was pretty funny. So Sam is by that point, you mentioned this earlier.

But I had gotten interested in crypto not because of crypto. I had gotten interested in crypto because there was now \$2 trillion of it and it was having all these distortive effects socially, politically, all the rest. And I was thinking was there a story to tell about how the distortion of just this instant fantastical wealth creation. You saw it live in that party. You saw all these people, some of the world's most famous people, rich people organising themselves around this new pile of money. For Sam, it was just another night, that there was so much like that at that moment that he could just walk into the White House, he could walk into any CEO's office. Everybody wanted to be with him. And what was so curious about this once you knew a little bit about him is where he'd come from. When he's 16 years old, nobody wants to be with him. The idea that he'd charm people or that the people would be charmed by him, that he'd have any social influence, would have been very alien to him.

Simon Brewer

Was it ultimately the lure of his immense and rapid wealth?

Michael Lewis

I appreciate in this conversation you keeping an open mind to contradictions because I think there are a lot of contradictions in the story and the story is more fun if you just allow yourself to preserve them in your mind. Obviously, some people were just there because money was falling off him and they wanted to pick it up. That's not Katy Perry. That's not Hillary Clinton. They can get money lots of different ways. It might be Anthony Scaramucci, it might be Kevin O'Leary. I don't know about that. But I think what I noticed is how many people wanted there to be a Sam. And it was not that he just had \$22 billion according to Forbes magazine, it was that he seemed utterly transparent, radically transparent, very open and willing to explain and talk about anything, unpretentious, deeply interested in addressing big world problems like pandemic prevention. It wasn't just fake. He actually cared about all this stuff. Deeply interested in making sure Donald Trump never became president again, which appealed to people. Deeply interested it seemed in turning crypto into a legit regulated honest enterprise so that the regulators wanted there to be with Sam, Washington wanted there to be with Sam. There was this Sam Bankman-Fried shaped hole in the world that I don't think he knew existed until he found himself in it. So there were a lot of mixed motives. Obviously, the money was a necessary condition. Nobody would have been all that interested if he was penniless. But it wasn't a sufficient condition for a lot of people. Other things interested them in him. You'll appreciate this. He had a conference in the Bahamas where 5000 crypto people turned up. Tom Brady was there, Bill Clinton was there. It was just the place to be. At that conference, I bumped into a character from *The Big Short*. It was actually one of the guys who had seen the trade, made the trade, made a fortune, who was almost by definition therefore very sceptical of his fellow human beings, very cynical of institutions, very alive to the possibility that people were crooks and all that. I asked him the Hillary Clinton question, 'What are you doing here?' He said, 'I just like Sam.' And I said, 'Why do you like Sam?' He said, 'How often do you meet somebody who's got \$20 billion and he isn't a douchebag and has nothing to hide?' So Sam Bankman-Fried April 2022 read even to a cynical Wall Street person as someone who had nothing to hide, and that was part of the appeal. There was story after story of Sam walking into a dinner party or into a meeting and the other people there are all people you know of from Wall Street, big-time hedge fund managers, big-time bank CEOs, and everybody just wanted to hear what he had to say. So he wasn't just fooling it. To understand why

this financial scandal happens, you have to understand what his appeal was in the beginning. Otherwise, it makes no sense. It's particularly peculiar because the appeal is largely social, intellectual. It's social. This is a person who in his first 21 years on Earth would have been left justifiably with the impression that no one would ever like him. So it's odd. It's a really odd story.

Simon Brewer

The backdrop, this whirlwind of crypto, those of us who are all value investors. Charlie Munger died last night and he said it's rat poison, it's a gambling contract with nearly 100% edge for the house. So I haven't really moved my skepticism about the whole area. But Michael, did I get the impression from the book that you actually invested in either crypto or FTX?

Michael Lewis

No. Simon, do you think I'm an idiot? I put \$2,000 on to the FTX. Americans couldn't put money on the FTX International. I put \$2,000 on the FTX US to see if it worked, just to make sure you could do the thing they said you could do, including, I have an FTX credit card I got off this thing. I never used it. But actually, what intrigued me in the beginning, so I'm still a creditor but it's \$2,000. I put half of it, I bought some Ethereum, I bought some Bitcoin just to see you could do it. But what actually intrigued me was I was able to buy Swiss franc. And if I go to Schwab or I go to JP Morgan Wealth Management and I asked to buy Swiss franc, they actually say it's too much trouble, and this surprised me. It sounds like an odd thing to be surprised by. I had long conversations with Schwab five years ago about why I couldn't buy other currencies easily in my Schwab account, and they said it's just trouble for them, and that FTX had somehow solved that problem interested me. So actually, I have about 1000 bucks or whatever it's worth now in Swiss francs and \$1,000 in Bitcoin and Ethereum. The funny thing is, I'm almost sure I'm going to get it all back. It looks like the bankruptcy thing is going to yield not just the customer deposits but probably back with interest. But no, I never invested in FTX. That's the all the Bitcoin I own. It's \$500 worth of Bitcoin or whatever it is.

Ravi Joseph

Mike, I'd like to ask you a question because you just touched on something which I think is so interesting about this story. In the book, you make a reference to that as well, that they might actually get it all back. They've gotten a lot back. In the book, you mentioned 7.3 billion.

Michael Lewis

Out of 8.6, yes.

Ravi Joseph

Here's the interesting thing. Does it come across to you then that, in fact, none of it was lost? It was misplaced as a consequence of just extraordinary incompetence, negligence, reckless lack of control, but actually it's all there. If that is the case, then is your view about SBF a bit more that it's a victimless crime because they're getting all their money back? It was a crime of negligence and incompetence, but not actually one that left harm.

Michael Lewis

Let me start by telling a little anecdote from the book that I think is very revealing, that never came out in the trial for complicated reasons, I think. But I would have thought if I was a juror, I would have liked to have heard this. When FTX implodes last November, in that second or third day of the crisis, the four principles, the effective altruists who were at the centre of the drama, Sam, Gary Wang, Caroline Ellison and Nishad Singh are all in one of their condos in the Bahamas in a tizzy trying to get customers their money back. The first other person into the room is a non-effective altruist named Ramnik Arora, who has been with Sam. He's been playing the role with Sam as advisor in his venture capital investments and helping him negotiate with venture capitalists when he's raising money. Sam has asked Ramnik to come over to just explain to him what's going on. Ramnik walks into the room and what he's seeing, his jaw is on the floor. It's Caroline with Sam's help trying to figure out where they have bank accounts, where on exchanges they might have crypto stashed. He said they were just like finding piles of money before his eyes. And while he's watching this, he said his first reaction was these people had no idea they had a problem. Because if they knew they had a problem, they would have long ago gathered up the assets. And while he's watching this, his phone rings, Ramnik's phone rings, and it's from a bank in the Bahamas called Deltec, and it's a guy he knows there. And the guy says, 'Ramnik, we see you might be having some trouble. You have an account here with us with \$300 million in it. We haven't heard from you and we just want you to know.' So Ramnik says to them there's \$300 million down the road and none of them know. So clearly present in this story is unbelievable carelessness recklessness. That picture that I just painted does not fit with people diabolically stealing other people's money and becoming aware they'd stolen other people's money, aware that they're at risk. They don't know where the money is when it all blows up. What the bankruptcy has done is gather up a lot of the money. And John Ray himself, the guy running the bankruptcy told me, he said it's amazing. It's like an Easter egg hunt. There's money everywhere they just didn't keep track of, and there's 7.3 billion of the 8.6 they found, they found in this way. Now, there's also this pile of venture capital investments that has we don't know what value but possibly some extra billions. Now, what does this say about what do I think about what Sam Bankman-Fried is guilty of? It's more than just carelessness. I don't think of it that way. It is a wild recklessness and indifference to the risk he's exposing others to. They effectively use customer deposits as a free loan to do what they would with them. Up till about June, they probably technically weren't touching the customer deposits because in Sam's world, there were still more liquid assets than there were customer deposits. But from about June to October, he's got to be somewhat aware that when he spends money, when he makes investments, whatever he's doing, he's implicating in the customers. I think he's definitely guilty of, as the lawyers put it, conscience avoidance, not actually thinking about this very much, wilfully not thinking about it. I think the crime, he's already in crime land, it doesn't matter what he intended at that point, and it doesn't matter what the outcome is at that point. But it is interesting, and it does change the way I feel about it to know that the money is not just gone and that I'm going to get my money back. It does help support the comic treatment I've given it. But it's messy. Does that mean Sam Bankman-Fried should not be convicted? No. Right from the beginning, they made no distinctions between the customer's money in Alameda money. They obviously broke some laws. They didn't care about the rules. It's messy. I'll put it another way. If I was sitting in the jury box, I would have voted to convict. How could you not?

Ravi Joseph

It sounded from the book as if the money actually was always in Alameda. It was for various bank account reasons, but they just didn't segregate the custody money in Alameda which was really exchange money from the Alameda money, and they just didn't care to segregate it. They just treated it all in one pot. Is that right?

Michael Lewis

That's right. And there were historical reasons for that, but they had the ability to segregate it certainly by the summer of 2021 and they didn't do it.

Ravi Joseph

Deliberately or just because they were careless? Did they deliberately want to use it? Because that's intent, and that becomes a different story then.

Michael Lewis

You're absolutely right. I don't think even the trial completely settled this question. Because at the time they earn the ability to really separate out the customer funds, they don't instantly start using the customer funds, or put it this way, they don't run through them. I think even the prosecutors would acknowledge that up till about June of last year, certainly May, that if all the customers of FTX had turned up and asked for their money back, they could have been given money back, and that it was after that that this hole starts to open. So it's a year between the time it would have been very easy for them to segregate the customer funds out and put them in cold storage and the time they actually really start to put them in great jeopardy. Is that intentional? It's very Sam Bankman-Fried that he had proven himself years before when he first opened his crypto hedge fund as perfectly capable of not caring about the difference between his money and other people's money and being purely capable of being incredibly reckless with other people's money. But he hadn't up to then proven himself willing to take or steal other people's money. I think what happened is they created the conditions for the fraud and then circumstances forced them into it. There's a decision point, and this is among the things I would like to know more about. The trial touched on it, but not as well as it might have. In June of last year when crypto is collapsing and the crypto lenders to Alameda research want their \$8 billion back, why at that moment they didn't all sit down and just say no, they don't get their money back, that these are customer funds. That's the moment of sin. That's where it turns darker. You're right. If we were sitting here, let's say it all happened and we discovered that the funds were in the wrong place, but actually, they could just move them back and the customers got all their money back, I don't think Sam Bankman-Fried would be sitting in jail. I think people would say, well, this was reckless and stupid. Why did they have the money in Alameda? But everybody got their money back, so who cares? It's when everybody can't get their money back right away that it becomes a darker thing. And it isn't completely, as to harm, even if you do get all your money back with interest, it's not completely harmless.

Ravi Joseph

So you took their money without their permission or consent or knowledge?

Michael Lewis

That's right.

Simon Brewer

Michael, as you went along and got to know him, the question that kept on playing with me, was he always going to be the author of his own destiny and failure? Because we can say cavalier or maverick or whatever the adjectives you want to apply, but he isn't operating like most of us who have been around in finance for a long time or other people indeed. So did you think it's just a matter of time?

Michael Lewis

Have you ever been on the highway when someone has come whizzing by you at 110 miles an hour and you think I'm going to watch the accident. You know how it's going to end for this person. They're weaving in and out of traffic, they're going 50 miles over the speed limit. That's how he felt. Now, it's also possible that person is a professional race car driver and he's really good at going 110 miles an hour weaving in and out of traffic, and maybe they won't crash. But he always felt that way to me, that maybe he is going to get there faster than everybody else and it's going to be safe. It's possible. There was nothing foreordained about this. Things could have ended differently. But you could also say at the same time he created the conditions for his demise by the way he went through the world, and that there were foreshadowings of it before FTX collapses.

Simon Brewer

What struck me, and that was the hint of criminality, the timeline may explain some of this, is that at some point, Sam's father approves this fake loss of \$3 billion. Explain why that doesn't point to bad things.

Michael Lewis

Actually, the tax lawyers, I don't think the legality of that has actually been seriously challenged. They had two positions. They essentially had offsetting positions in two different parts of Alameda. They were I think it was with FTT. My memory is vague on this. But they were long in one place in short the other place, and they had a \$3 billion loss in one place and a \$3 billion of gain in the other place. And in the place where they had the \$3 billion loss, they were able to write off the loss for tax purposes against their trading gains. The father and the outside legal counsel, and it was their idea, they said you ought to just take this because you can use that loss going forward. I don't think it was illegal. It was just that's the way that these two different entities had different tax treatments and there was the loss here and the gains there. They didn't have to pay taxes on the gains over here. They were able to take the loss over here. I don't know the tax law. Even the bankruptcy people, the bankruptcy people when they saw this, they thought it was evidence that Alameda had actually lost \$3 billion and that it wasn't just for tax purposes. But that isn't what it was. Here's another curious subplot here. Alameda, I interviewed a whole bunch of Alameda traders, including the very senior ones, including Caroline Ellison, and to a person, they remain convinced that Alameda was never anything but profitable, very profitable. When I saw that tax loss, I was almost relieved because I thought this explains where the money went. It's still a little unclear where all the money went. And if Alameda was as the traders think, profitable all along,

there's this mystery that the trial didn't resolve. Where did the money go? Ravi, I bet you have thoughts about this, about where the money might have gone. But every conceivable answer to that question I've tried to pursue and I've come up empty. That tax loss was my first, ah, maybe that's where it went. They actually lost money, they didn't make money. But no, it was just a tax game that the lawyer said was legal to play.

Ravi Joseph

Michael, when I read the book, it's actually something I didn't understand. I'd be very interested to hear you explain it to me. I looked at what you wrote about Alameda and I was trying to think about it in the context of other hedge funds that I know of. It's not really clear whose money is in Alameda. Is it actually just the founders' money or does it actually have LPs? Are there a lot of LPs? Who are these? Are these institutions or is it a handful of family and friends and 95% his money? Then what was the strategy of the hedge fund? It's not even clear what this hedge fund was supposed to do. Were they trading crypto or were they investing in VC? I don't really understand what it was.

Michael Lewis

Nobody did. It was owned entirely by Sam and Gary. Sam owned, whatever, 90%, and Gary owned 10%. I can't remember the exact split.

Ravi Joseph

So there was nobody else's money in it?

Michael Lewis

Nobody else's money in it.

Ravi Joseph

Okay. Actually, at one level, you can say as financial professionals, it's okay then to do whatever you want with it if it's your own money. They could have punted it all at Vegas if they wanted to.

Michael Lewis

Yes. They did borrow from crypto lenders. They did have borrowing from BlockFi and Genesis and places like that, and they did margin trading, so they borrowed it on exchanges. But the capital was their capital. It was a curious enterprise. It's hard to know what to call it. It starts as essentially a crypto quad shop. It's an algorithmic trading firm in crypto and they never stopped doing that. But then they layer onto that Sam's venture capital activity. Sam turned himself into a venture capitalist without anybody paying too much attention to what he was doing. He makes 100 and something venture capital investments worth almost \$5 billion. Another interesting subplot, how good a venture capitalist was Sam. It will be fun in a few years to go back and see how this does. But he has one huge hit in anthropic, and it has been in the press. But he owns a piece of SpaceX through Michael Kives, through the guy whose party we went to in Los Angeles. He owns a piece of the Kardashian's tequila company. There's stuff in there that's valuable. But you're right. What are these things all doing together? In the book, I just call it Sam's Dragons Lair because no one knows what's in it. It's just supposedly lots of treasure. And

in addition to crypto trading, it's where he keeps these coins that he admits that he has, his Serum and his FTT and his Solana, that he's got big stashes of stuff that he basically has given himself for free, and then at their peak are worth tens and tens of billions of dollars supposedly. So yeah, you're right to have questions, but it is just their money. There are no LPs.

Ravi Joseph

That's very interesting because it does relieve that plot of one question then, because in a way, whatever he did right or wrong with Alameda is frankly nobody else's business. It was his money, however crazily it was invested. The one thing that he did wrong then goes back to the customer custody money that was improperly used in Alameda.

Michael Lewis

Yes, the FTX customer money that was sitting in Alameda and shouldn't have been. Correct.

Simon Brewer

Mike, as we look forward, I think the incarceration sentence is ahead. You made a comment I paused on that he'd be happier in prison with the internet than in a \$30 million mansion without it. Is that really true A, and B, how's he responding to this or can't you even define that?

Michael Lewis

I talked to him yesterday. He's allowed one 15-minute phone call a day and it's the first time I've spoken to him since he was imprisoned in August. He's still in the Metropolitan Detention Center in Brooklyn. He's in a room, a giant room with a bunch of bunk beds and a ping pong table. Among his roommates are the former president of Honduras and the former attorney general of Mexico and then a number of people who've committed many murders in drug gangs and as a result are at risk in the general population of the prison. So it's more diverse than even the Harvard freshman class. It's a very diverse group of people. He doesn't feel unsafe. He's, as he put it, bored as shit. There's nothing to do except play ping pong. The first rule of life in Sam Bankman-Fried's life is wherever he goes, weird stuff happens. This is why I was attracted to him as a character in the beginning. Everywhere he went, just weird stuff happened. Right before the book came out, there was a piece about the book on American television, this show called 60 Minutes, and there are televisions in this room. This crowd of people, his roommates, his inmates, fellow inmates, and apparently the former president of Honduras and the former attorney general of Mexico took special interest in him along with the prison guards gathered around the television to watch the story of Sam Bankman-Fried on television. After it, the prison guards started asking Sam for crypto trading advice. So where is this going? First, I stand by my statement that he'd be happier in prison with the internet than out of prison without it. There's no question. He thrives just on a constant flow of information, and he'd be equally bored in a luxury apartment without a constant flow of information. If they just gave him the internet in prison, he could find a way to entertain himself. Absent that, I would not be shocked if his life in prison is just unlike any other life ever lived in prison. I wouldn't be shocked if he starts to get involved in other people's lives like the prison guards crypto trading portfolios in ways that are just going to be entertaining. And I think he's probably sitting there, it was just a 15-minute phone call, but I think he's sitting there thinking there's not a whole lot he can do, that he's

been convicted, he can appeal. But he's now at the mercy just of a judge who can sentence him to 110 years in jail. If you're sitting in England watching this process, I would imagine it looks a little different to you than the legal process that you've come to know and love in your own country, that 110 years in prison for this seems crazy, 50 years in prison for this seems crazy. So that's the first thing that's just in the law. The second thing is, you all don't have plea bargaining. You don't have prosecutors able to go to his closest colleagues and say, if you're really helpful to us in putting him in jail, you get to go free. I think Sam watched his closest colleagues, Nishad Singh and Caroline Ellison and Gary Wang, but especially in Nishad Singh, testify and thought, how can you just make this up? I think he thinks that probably not wrongly, not that he's innocent, but that the jury got a very distorted view of what actually happened, and it's probably frustrating to him. So God knows where it all goes. If you could wave a wand over the world right now and I can have any story to write that was out there, I would be a fly on the wall just for the next couple of weeks in Sam's prison cell. I would just love to see what he's doing because it's not going to be dull. He'll be bored, but it won't be boring.

Simon Brewer

Michael, a few closing questions. I think this has been more polemical than your other books. There has been quite a lot of furore. There's been for you too close to him, there was a bit of Stockholm Syndrome. I think you've been adamant about his guilt today. Are you happy with the book?

Michael Lewis

I'm delighted with the book. It was so much fun to write, and it is true that if I'm not having fun, the reader is not having fun. But what I've had is a more variable response than usual. The best reviews are better than any reviews I've got, and the worst reviews are worse than any reviews I've gotten. That's how it's played out. But when you get away from crypto land, when you get away from finance ears, when you get away from the world who was deeply embarrassed by their association with Sam Bankman-Fried and so were angry about the association, just the ordinary readers, their response has been fantastic. People are just having a ball with it. So I am happy with it. I think there's 8,000 words to add to it for the paperback after the trial with bits and pieces from the trial. I didn't know everything when I sat down to write it, but I knew enough. So no, it was total gas. There's one other thing about the response to the book that I wonder about. I've had other books that were controversial. Moneyball, Moneyball was miserable for the first two months. Every local sports reporter was accusing me of being a fraud and not knowing what I was talking about, and they were all insulted because their best friends were the scouts who I was suggesting didn't know so much as they thought they knew about baseball. If social media then what it is today, I think that might have been an even uglier experience than this was in the beginning. What I maybe wonder about is just the environment into which I will be publishing books and how noisy it is, and how if people are angry or suspicious or threatened by the book, they can organise a louder mob to greet the book than they could before, and it doesn't bother me that much. Unlike me, I'm 63 years old, people know who I am. I have a reputation. I can afford to endure the gauntlet that will greet the books when they come out. But the 28-year-old me who has never published a book will be living in fear of this phenomenon and I just worry that writers are going to be sitting there with Twitter on their right shoulder worried about what's going to happen if they write something that is different from what people think. You know what people think, you know that even though they don't

know very much that Sam Bankman-Fried is the greatest crook that ever walked the Earth and he's fraudulent, everything's fraudulent, his effective altruism is fraudulent, his hair is fraudulent. It's all one great con. That's the story they tell themselves when they don't know anything about him, they've never met him, and you know that's more complicated than that and you get to tell a story that's more complicated than that. I could afford to tell that story. But some 28-year-old who had never written a book could not have afforded to tell. He would have been ridiculed out of existence. So I just worry that it's gotten harder to tell complicated truths, I think. That's what it feels like.

Ravi Joseph

Michael, if it's any consolation amid the Twitter storm, I would tell you that I started out in the camp of, and I'm not an unsophisticated person about financial markets, but my initial impression was, he's a crook. I read your book, it's a very good book, and you end up with a more nuanced view of SBF. You come away after the book thinking, there's more to this than meets the eye. Actually, you do start spending more time thinking about really how much of this was intent, does he really merit 110 years, all of that. The book changed my mind, I guess is what I'd say.

Michael Lewis

I'm grateful for that. I always thought I voiced this thought exactly in his words before I sat down to write because someone like my publisher, someone was asking, do you think you'll have an effect on the trial, and I knew it was coming out the day of the trial and the jury wouldn't read it, and the legal questions were, it was so cut and dried, I thought, no way. I didn't think the book was going to have any effect on the legal outcome. But I thought it might have some effect on the social outcome. The way people felt about it after he was put away in jail would be different than if I didn't write the book, and that that was valuable. It was valuable in a very particular way that if the book achieved its greatest ambition, it would give people pause in controversial situations, in their rush to judgement, that we live in a world where you're pushed more and more into having a view, and people with quick views are in your ear, and the ability to resist that for just long enough to get more of the story and more nuance to it, it's just enriching in life. It's more complicated than Twitter says. That's what I hope for the book. So it warms my heart that you were able to hear the initial noise and still read the book, and not think, oh, Michael got conned, or Stockholm syndrome, whatever the hell that was. Actually sit down and think about it for even a moment. Think about my point of view. I know that Sam Bankman-Fried has not a friend in the world and everybody thinks he's a crook when I sit down to write. I know that the one way I get myself in trouble is by insisting on what I think happened rather than just caving to what everybody else says happened. I know I have superior information. all the pressure is throw him under the bus, all the pressure is be harsher. None of the pressure is, oh, be nice or coddle Sam Bankman-Fried. There's no source of pressure there. This was the subject I had who I was least afraid of what they would say about my book because he was going to be in jail and no one's going to listen to him. So if I did anything in the book that was shading the story in one way or the other, it would have been against him rather than for him. That's the pressure I felt. I was resisting that, and I knew I was going to get in trouble for resisting that. But I'm glad I did it. You asked me if I like the book, yeah, I like the book. I'm proud of the book. It's a book I had to fight for.

Ravi Joseph

Michael, when are you going to write your next sports book, and can it be about football? I've been living here for a long time now. Football the way the rest of the world knows it, I think that will be a great story.

Michael Lewis

Are you talking about soccer or football?

Ravi Joseph

I don't know. We call it football here.

Simon Brewer

Soccer.

Ravi Joseph

You've already written a book about American football and you've written a book about baseball.

Michael Lewis

It's not inconceivable. It's actually not inconceivable. I thought for a moment, I had a story when Billy Beane bought into I think it was a club called Barnsley. Is that right?

Simon Brewer

Could be.

Michael Lewis

It was like a small D-level team that they were going to moneyball and try to- it was going to be a Ted Lasso story. And I thought about depending on how far in he went with this and how disruptive it was to football, that I might do that. So I flirted with it. If the story walked into my life, I wouldn't be averse to it. I played it in high school, so I'm comfortable with the sport.

Simon Brewer

It was Ryan Reynolds who's bought Wrexham. Michael, my final question is, if the film which presumably will come along and should be based on your book, who do you want to play SBF?

Michael Lewis

If Jonah Hill could just possibly make himself look 20 years old again, then he might be able to. Jonah Hill would be fabulous. Nobody cares who I want to play. Nobody's going to ask me who I think should play. You're the only one is going to ask me. Apple who's making the movie is not going to ask me. But he seems like an obvious candidate. But there's several. I would vote from someone who can pull off the physical resemblance, because his physical presence was important.

Simon Brewer

Well, I started by saying you are one of the world's great storytellers. You are, and I've loved this conversation. It's been such fun. We're going to release this episode in time for Christmas. People need to put it in there along with my wife podcast. She's just done Lessons in Chemistry with Bonnie Garmus. I don't know whether you've read Lessons in Chemistry, but it's brilliant. You have to read it, Michael.

Michael Lewis

Tell me what it is.

Simon Brewer

Well, the story very briefly is that my wife had heart surgery this summer. She's fine and is recovering. It's been a slow and long process. But she was given this book which really inspired her and gave her just a great sense of wellbeing and it's called 'Lessons in Chemistry' by an American author, Bonnie Garmus, at times actually lives in London, this author. Apple had made it into a television film series. It's absolutely terrific and it's about an American lady in the 1950s who is a brilliant chemist and is blocked at every turn as she's trying to advance her career and expertise is apparent, but all of the institutional prejudice and male dominance is standing in her way. She ends up being invited to produce a TV show called Supper at Six, which actually then she presents in the underlying chemistry of all the food, and she builds this outstanding audience. It's utterly lovely and charismatic. My wife interviewed her for her podcast Bandwidth Conversations and she's releasing it I think early January.

Michael Lewis

Is it a novel?

Simon Brewer

Yes, it's novel.

Michael Lewis

Okay, it's on my list.

Simon Brewer

Lessons in Chemistry.

Michael Lewis

When I finish books, I usually go on a fiction binge. And so I'm on a fiction binge now. I will read it.

Simon Brewer

Michael, you've been very generous with your time. It's great to see again.

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